



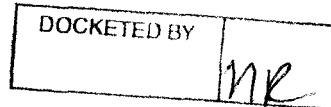
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**BEFORE THE ARIZONA CORPORATION COMMISSION**

GARY PIERCE  
Chairman  
BOB STUMP  
Commissioner  
SANDRA D. KENNEDY  
Commissioner  
PAUL NEWMAN  
Commissioner  
BRENDA BURNS  
Commissioner

Arizona Corporation Commission  
**DOCKETED**

MAY 27 2011



IN THE MATTER OF THE APPLICATION )  
OF CERBAT WATER COMPANY FOR )  
APPROVAL OF A RATE INCREASE )

DOCKET NO. W-02391A-10-0218

IN THE MATTER STAFF'S REQUEST FOR )  
COMMISSION ISSUANCE OF AN ORDER )  
TO SHOW CAUSE FOR THE FAILURE OF )  
CERBAT WATER COMPANY TO )  
COMPLY WITH COMMISSION RULES )  
AND REGULATIONS )

DOCKET NO. W-02391A-11-0166

DECISION NO. 72385

**ORDER APPROVING EMERGENCY**  
**SURCHARGE AND APPOINTMENT**  
**OF AN INTERIM MANAGER**

Open Meeting  
May 24, 2011  
Phoenix, Arizona

BY THE COMMISSION:

**FINDINGS OF FACT**

1. Cerbat Water Company ("Cerbat" or "the Company") is certificated to provide water service as a public service corporation within portions of Arizona, pursuant to authority granted by the Arizona Corporation Commission ("Commission").

2. Cerbat provides water service to approximately 265 customers six miles Northeast of the City of Kingman, in Mohave county.

3. On April 27, 2011, the Commission approved a motion requiring Cerbat to file an application for an emergency rate increase or surcharge by May 13, 2011, if the Company wanted the Commission to consider the possible implementation of an emergency rate surcharge during the Commission's Open Meeting on May 24 and 25, 2011. The Company filed Additional

1 Comments and Exhibits on May 13, 2011, which included a request for an emergency surcharge.

2 The document included the following:

- 3 a) A Quitclaim Deed evidencing the Claude K. Neal Family Trust has transferred the  
4 Trust well with Arizona Department of Water Resources ("ADWR") Well No. 55-  
624996 and related facilities located on the property, to Cerbat on May 12, 2011.
- 5 b) A statement that "the Trust and the Company agreed that the Trust would transfer  
6 the entire parcel to the Company with the understanding that once the Company  
7 has sited an additional well and made infrastructure improvements on the parcel,  
8 the unused remainder of the parcel will be transferred from the Company back to  
the Trust."
- 9 c) Claims that the Company's accrued costs of repair amounts to approximately  
10 \$122,000 and included summary invoices from five vendors in support of the  
\$122,000 sum.
- 11 d) The Company requests Commission approval of a minimum surcharge of no less  
12 than \$10.00 per customer to provide revenue to pay previously incurred expenses  
associated with the well.

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14 4. Pursuant to the Commission's verbal motion during the April 27, 2011 Open  
15 Meeting, Staff has reviewed the Company's Additional Comments and Exhibits filed May 13,  
16 2011. Staff concludes that the Trust has adequately transferred ADWR Well No. 55-624996 to  
17 Cerbat, through a Quitclaim Deed and a "Bill of Sale" dated May 12, 2011. Further, the Company  
18 informs Staff that it has filed the Quitclaim Deed for recording with the Mohave County Recorders  
19 Office. Staff recommends that the Commission order the Company to file a copy of the stamped  
20 recorded deed no later than 60 days from the effective date of Commission Order in this  
21 proceeding. Further, Staff recommends that the Commission order Cerbat to register with ADWR  
22 as the new owners of ADWR Well No. 55-624996, and docket evidence of such transfer no later  
23 than 60 days from the effective date of Commission Order in this proceeding.

24 5. Staff examined the Company's agreement with the Trust to transfer any unused  
25 portion of the land transferred in conjunction with the Trust well back to the Trust at a point in the  
26 future. Staff is not opposed to this agreement. However, Staff recommends that the Commission  
27 order Cerbat to seek Commission authorization prior to transferring and/or selling any parcel of its  
28 land, or its other assets, to the Trust, or any other entity.

6. Staff reviewed the Company's reported costs of repairs of \$122,000 incurred for repairing ADWR Well No. 55-624996 and related appurtenances. The Company submitted summary invoices from each vendor but not the individual invoices related to each incident of repair. After review of the invoices, Staff recommends approval of \$119,444 as the total cost of well repairs for recovery through a surcharge. Staff's calculation removed the customer deposits and late fees reflected on UNS Electric's invoice because those costs do not constitute normal cost of service.

7. Schedule A reflects Staff recommendation of a Well Repairs Surcharge of \$12.52 per customer per month. Staff's recommended Well Repairs Surcharge will generate \$39,815 per year, enabling Cerbat to defray its past due well repairs cost over three years.

**Recommendations**

8. Based on the analysis discussed above, Staff recommends the following:

- The Commission order Cerbat to collect a Well Repairs Surcharge of \$12.52 per customer per month effective June 1, 2011 or on the first day of the month after the Company provides docketed evidence of Customer Notice of this surcharge.
- The Commission order Cerbat to segregate proceeds from the Well Repairs Surcharge approved in this proceeding in a dedicated and separate bank account.
- The Commission order Cerbat to utilize proceeds of Well Repairs Surcharge for the sole purpose of paying the \$119,444 incurred for well repairs.
- The Commission order Cerbat to pay each vendor a pro-rata amount, based on the vendor's share of the balance of past due debt of \$119,444 each month, from the proceeds of Well Repairs Surcharge.
- The Commission order Cerbat to file a quarterly report with Docket Control, stating the amount collected through Well Repairs Surcharge and amount paid to each vendor, no later than 30 days subsequent to the end of each calendar quarter, beginning in October 2011.
- The Commission order Cerbat to seek Commission authorization prior to transferring and/or selling any parcel of its land, or its other assets, to the Trust, or any other entity.
- The Commission order the Company to file a copy of its stamped recorded deed no later than 60 days from the effective date of Commission Order in this proceeding.

- The Commission order the Company to register with ADWR as the new owners of ADWR Well No. 55-624996, and docket evidence of such transfer no later than 60 days from the effective date of Commission Order in this proceeding.
- The Commission order the Company to acquire from the Trust all infrastructure and equipment, including but not limited to pipes, storage tanks, and standpipes, necessary to provide adequate service to the ratepayers.
- The Commission grant Staff the authority to appoint an Interim Manager for the Company, without further action by the Commission, if Cerbat fails to comply with any of the requirements imposed by the Commission as conditions to implementing the emergency rate surcharge, or if the Company is not in full compliance with Commission rules, regulations or orders.

9. We agree with Staff except that we believe Staff should appoint an Interim Manager as soon as possible.

#### **CONCLUSIONS OF LAW**

1. Cerbat Water Company is a public service corporation within the meaning of Article XV, Section 2 of the Arizona Constitution.

2. The Commission has jurisdiction over Cerbat Water Company and the subject matter of the application.

3. The Commission concludes that it is in the public interest to approve the Well Repairs Surcharge as discussed herein.

#### **ORDER**

IT IS THEREFORE ORDERED that Cerbat Water Company will collect a Well Repairs Surcharge of \$12.52 per customer per month effective June 1, 2011 or on the first day of the month after the Company provides docketed evidence of Customer Notice of this surcharge.

IT IS FURTHER ORDERED that these rates shall remain in effect for three years, or until the \$119,444 is fully paid, or until further order of the Commission, whichever comes first.

IT IS FURTHER ORDERED that Cerbat Water Company segregate proceeds from the Well Repairs Surcharge approved in this proceeding in a dedicated and separate bank account.

IT IS FURTHER ORDERED that Cerbat Water Company utilize proceeds of Well Repairs Surcharge for the sole purpose of paying the \$119,444 incurred for well repairs.

1 IT IS FURTHER ORDERED that Cerbat Water Company pay each vendor a pro-rata  
2 amount, based on the vendor's share of the balance of past due debt of \$119,444 each month, from  
3 the proceeds of Well Repairs Surcharge.

4 IT IS FURTHER ORDERED that Cerbat Water Company file a quarterly report with  
5 Docket Control, stating the amount collected through Well Repairs Surcharge and amount paid to  
6 each vendor, no later than 30 days subsequent to the end of each calendar quarter, beginning in  
7 October 2011.

8 IT IS FURTHER ORDERED that Cerbat Water Company obtain Commission  
9 authorization prior to transferring and/or selling any parcel of its land, or its other assets, to the  
10 Trust, or any other entity.

11 IT IS FURTHER ORDERED that Cerbat Water Company file a copy of its stamped  
12 recorded deed no later than 60 days from the effective date of Commission Order in this  
13 proceeding.

14 IT IS FURTHER ORDERED that Cerbat Water Company register with ADWR as the new  
15 owner of ADWR Well No. 55-624996, and docket evidence of such transfer no later than 60 days  
16 from the effective date of Commission Order in this proceeding.

17 IT IS FURTHER ORDERED that Cerbat Water Company acquire from the Trust all  
18 infrastructure and equipment, including but not limited to pipes, storage tanks, and standpipes,  
19 necessary to provide adequate service to the ratepayers.

20 IT IS FURTHER ORDERED that Commission Staff is hereby ordered to appoint an  
21 Interim Manager for Cerbat Water Company as soon as possible.

22 IT IS FURTHER ORDERED that this Decision become effective immediately.

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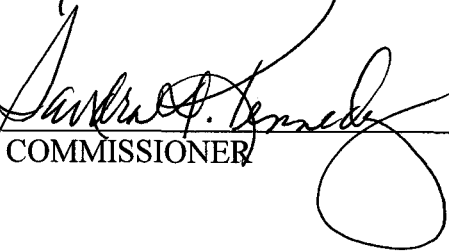
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BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

  
CHAIRMAN

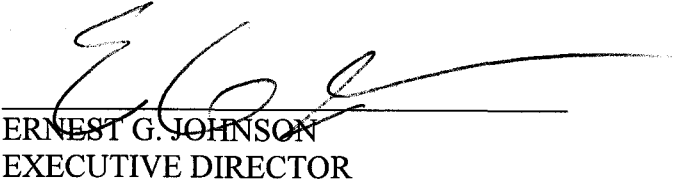
COMMISSIONER

  
COMMISSIONER

  
COMMISSIONER

  
COMMISSIONER

IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,  
Executive Director of the Arizona Corporation Commission,  
have hereunto, set my hand and caused the official seal of  
this Commission to be affixed at the Capitol, in the City of  
Phoenix, this 27<sup>th</sup> day of MAY, 2011.

  
ERNEST G. JOHNSON  
EXECUTIVE DIRECTOR

DISSENT: \_\_\_\_\_

DISSENT: \_\_\_\_\_